

**REPORT OF THE AUDIT OF THE  
MENIFEE COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2008**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE MENIFEE COUNTY SHERIFF**

**For The Year Ended  
December 31, 2008**

The Auditor of Public Accounts has completed the Menifee County Sheriff's audit for the year ended December 31, 2008. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

Excess fees increased by \$10,237 from the prior year, resulting in excess fees of \$11,529 as of December 31, 2008. Revenues increased by \$99,155 from the prior year and expenditures increased by \$88,918.

#### **Report Comments:**

- The Sheriff's Quarterly Reports Did Not Agree With Receipts And Disbursements Ledgers
- The Sheriff Should Expend Fee Account Monies For Allowable Purposes Only
- Internal Controls Over Disbursements Should Be Strengthened
- The Sheriff's Office Lacks Adequate Segregation Of Duties Over Receipts

#### **Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Hershell Sexton, Menifee County Judge/Executive  
The Honorable Rodney Coffey, Menifee County Sheriff  
Members of the Menifee County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Menifee County, Kentucky, for the year ended December 31, 2008. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2008, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated July 24, 2009 on our consideration of the Menifee County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Hershell Sexton, Menifee County Judge/Executive  
The Honorable Rodney Coffey, Menifee County Sheriff  
Members of the Menifee County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff's Quarterly Reports Did Not Agree With Receipts And Disbursements Ledgers
- The Sheriff Should Expend Fee Account Monies For Allowable Purposes Only
- Internal Controls Over Disbursements Should Be Strengthened
- The Sheriff's Office Lacks Adequate Segregation Of Duties Over Receipts

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Menifee County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen  
Auditor of Public Accounts

July 24, 2009



MENIFEE COUNTY  
 RODNEY COFFEY, SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2008

Revenues

Federal Grants		\$	9,700
State Grants			9,000
State - Kentucky Law Enforcement Foundation Program Fund			14,990
State Fees For Services:			
Finance and Administration Cabinet	\$	59,530	
Sheriff Security Service		<u>1,718</u>	61,248
Circuit Court Clerk:			
Fines and Fees Collected			2,365
Fiscal Court			150,191
County Clerk - Delinquent Taxes			3,131
Commission On Taxes Collected			47,213
Other Fees On Taxes Collected			7,048
Fees Collected For Services:			
Auto Inspections		1,530	
Accident and Police Reports		423	
Serving Papers		15,010	
Carrying Concealed Deadly Weapon Permits		<u>800</u>	17,763
Other:			
City of Frenchburg		32,000	
Transportation/Extradition		4,281	
School Board		25,600	
Unlawful Narcotics Investigating, Treatment, and Education (UNITE)		56,331	
Miscellaneous		<u>3,457</u>	121,669
Interest Earned			2,356
Borrowed Money:			
State Advancement			<u>37,500</u>
Total Revenues			484,174

The accompanying notes are an integral part of this financial statement.

MENIFEE COUNTY  
 RODNEY COFFEY, SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2008  
 (Continued)

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-	
Deputies' Salaries	\$ 185,963
Employee Benefits-	
Employer's Share Social Security	17,744
Employer's Share Retirement	8,401
Employer's Share Hazardous Duty Retirement	59,737
Employer Paid Health Insurance	26,115
Unemployment Insurance	1,689
Contracted Services-	
Bookkeeping	2,250
Vehicle Maintenance and Repairs	9,587
Materials and Supplies-	
Office Materials and Supplies	4,930
Uniforms	980
Auto Expense-	
Gasoline	25,517
Other Charges-	
Convention	300
Copier	1,294
Dues	2,427
Postage	119
Telephone	5,564
Training	1,621
Miscellaneous	859
Capital Outlay-	
Office Equipment	4,785
Vehicles	3,200

Debt Service:

State Advancement	<u>37,500</u>
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Total Expenditures	400,582
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Less: Disallowed Expenditures

Late Fees and Over Limit Fees	<u>195</u>
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Total Allowable Expenditures	<u>400,387</u>
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The accompanying notes are an integral part of this financial statement.

MENIFEE COUNTY  
RODNEY COFFEY, SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
For The Year Ended December 31, 2008  
(Continued)

Net Revenues	\$ 83,787
Less: Statutory Maximum	<u>68,733</u>
Excess Fees	15,054
Less: Training Incentive Benefit	<u>3,525</u>
Excess Fees Due County for 2008	11,529
Payment to Fiscal Court - April 14, 2009	<u>2,008</u>
Balance Due Fiscal Court	<u><u>\$ 9,521</u></u>

The accompanying notes are an integral part of this financial statement.

MENIFEE COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2008

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2008 services
- Reimbursements for 2008 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2008

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MENIFEE COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2008  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent for the first six months and 13.50 percent for the last six months of the year. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 33.87 percent for the first six months and 29.50 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Menifee County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Menifee County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

MENIFEE COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2008  
(Continued)

Note 4. Forest Service Contract

The Menifee County Sheriff's office entered into a Cooperative Law Enforcement Agreement with the U.S. Department of Agriculture, Daniel Boone National Forest. The purpose of this agreement is to intensify patrolling activities in the Daniel Boone National Forest in an effort to reduce illegal activity on federal land. During calendar year 2008, the Sheriff received reimbursements of \$9,700 for expenditures related to this contract.

Note 5. Grants

- A. The Menifee County Sheriff's office was awarded a Highway Safety grant in the amount of \$4,000. During 2008, the Sheriff received \$4,000 as reimbursement on grant expenditures.
- B. The Menifee County Sheriff's office was awarded a grant from the Department for Local Government in the amount of \$5,000 to purchase equipment. During 2008, grant funds in the amount of \$5,000 were received and expended.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Hershell Sexton, Menifee County Judge/Executive  
The Honorable Rodney Coffey, Menifee County Sheriff  
Members of the Menifee County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Menifee County Sheriff for the year ended December 31, 2008, and have issued our report thereon dated July 24, 2009. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Menifee County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations to be significant deficiencies in internal control over financial reporting.

- Internal Controls Over Disbursements Should Be Strengthened
- The Sheriff's Office Lacks Adequate Segregation Of Duties Over Receipts



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiencies described above are material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Menifee County Sheriff's financial statement for the year ended December 31, 2008, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matter that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The Sheriff's Quarterly Reports Did Not Agree With Receipts And Disbursements Ledgers
- The Sheriff Should Expend Fee Account Monies For Allowable Purposes Only

The Menifee County Sheriff's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the Sheriff's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Menifee County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

July 24, 2009

## COMMENTS AND RECOMMENDATIONS



MENIFEE COUNTY  
RODNEY COFFEY, SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2008

STATE LAWS AND REGULATIONS:

The Sheriff's Quarterly Reports Did Not Agree With Receipts And Disbursements Ledgers

The Sheriff uses a bookkeeping service to maintain receipts and disbursements ledgers, prepare payroll, and reconcile the bank account. However, the receipts and disbursements ledgers maintained did not agree with the quarterly financial reports the Sheriff submitted to the Department for Local Government (DLG). The Uniform System of Accounts, adopted under KRS 68.210, requires the Sheriff to maintain accurate receipts and disbursements ledgers. We had to make numerous adjustments to receipts and disbursements, including payroll items. Receipts should be posted consistently with the categories on the quarterly financial reports. Salaries should be posted as gross wages and should be separate from employee benefits paid by the employer, such as FICA, retirement, and health insurance. We recommend the Sheriff ensure receipts and disbursements are properly posted and agree with the quarterly reports submitted to DLG.

*Sheriff's Response: Working with a new program to reconcile all quarterly reports, receipts, daily deposits.*

The Sheriff Should Expend Fee Account Monies For Allowable Purposes Only

Disallowed expenditures totaling \$195 were noted during the course of the audit due to credit card fees. There were three instances that the Sheriff's credit card was over the credit limit and two instances that the credit card had past due fees. In **Funk vs. Milliken, 317 S.W.2d 499 (KY. 1958)**, Kentucky's highest court reaffirmed the rule that county fee officials' expenditures of public funds will be allowable only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not personal expenses. The items listed above do not meet all of these guidelines and are determined to be disallowed expenditures. We recommend the Sheriff reimburse the 2008 fee account in the amount of \$195, which will be turned over to the fiscal court as excess fees. We further recommend the Sheriff follow the guidelines mentioned above and expend fee account monies for allowable purposes only.

*Sheriff's Response: None.*

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES:

Internal Controls Over Disbursements Should Be Strengthened

We found four invoices for vehicle maintenance totaling \$737 paid twice by the Sheriff's office. Invoices received by the Sheriff's office are sent to a bookkeeping service to prepare checks and post to the disbursements ledger. The Sheriff and a deputy sign checks. The Sheriff and deputy should review invoices or supporting documentation before signing checks. The Sheriff should strengthen controls to ensure invoices or supporting documentation are reviewed and do not get paid twice in the future. The Sheriff should seek a refund and deposit \$737 into his 2008 account to include as excess fees.

*Sheriff's Response: Already spoke with business owner and he has already agreed to reimburse the over payment. Will try to have a better control over disbursement.*

MENIFEE COUNTY  
RODNEY COFFEY, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2008  
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES: (Continued)

The Sheriff's Office Lacks Adequate Segregation Of Duties Over Receipts

The Sheriff's office lacks adequate segregation of duties over receipts. The employee that collects cash receipts prepares the daily checkout sheet and the deposit, as well as takes the deposit to the bank. Good internal controls dictate that different individuals should perform these duties. If these duties cannot be segregated, the Sheriff should implement compensating controls. The Sheriff could review the deposit, and compare it to the daily checkout sheet and receipts ledger as a compensating control. The Sheriff should document his review by initialing the checkout sheet, receipts ledger, and deposit slip.

*Sheriff's Response: Sheriff will implement himself to daily review deposits, receipts, and disbursements.*

